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May 31, 1962

GENERAL MORTGAGE SERVICE CORPORATION
OF CANADA

Press Release
June 7, 1962

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TELEPHONE: VICTOR 5-2201
CABLE: COLNORSON MONTREAL

Collier, Norris & Quinlan Limited
Investment Dealers - Stock Brokers

W. T. K. COLLIER
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J. C. de PENCIER
B. WHITESTONE
H. B. NORRIS
J. H. NORRIS
E. H. GOODERHAM
M. M. ALLAN

507 PLACE d'ARMES
Montreal 1

FEB 18 1963

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GENERAL MORTGAGE SERVICE CORPORATION OF CANADA

We would like to bring to your attention a company which we believe offers an excellent opportunity for growth together with safety of capital. The company, General Mortgage Service Corporation of Canada, and its business, are described in detail in the accompanying brochure.

At present we are offering, as principals, 60,000 ($10 par value) 20% paid common shares treasury stock at a price of $2.90 per share. The company plans to offer 100,000 fully paid common shares in the near future.

The company has conservative, energetic and experienced management and its shares offer an opportunity to participate in the Canadian mortgage industry with above average capital gains potential as pointed out by the following earnings calculations.

As can be seen from the accompanying chart, the spread between the average yield of 20 corporate bonds and insurance company mortgage rates has been 1-3/4% over a 10 year period. The company because of its unique position in the mortgage field (more fully described in the accompanying brochure) is able to add at least 1/2% to this spread.

The company from its incorporation to the date of the present balance sheet has shown a small loss of $28,660, however, upon completion of the present financing the company, in accordance with the Loan Companies Act, is empowered to borrow in excess of $6,000,000. Therefore, using a gross differential of 1-1/2% between lending rates and borrowing costs earnings at present could attain a rate of 14¢ per share as calculated below.

$6,000,000	Series "B" Mortgage Bonds
90,000	Borrowing costs
$5,910,000	
500,000	Equity
$6,410,000	Total Loaning Power

Income

Interest earned on $6,410,000 @ 8%	$512,800	
Sundry revenue	5,000	
	$517,800	

Expenses

Borrowing costs on $6,000,000 @ 6-1/2%	$390,000	
Expenses	75,000	
	$465,000	
Net income before taxes		$52,800
Taxes		17,306
NET PROFIT		$35,494

Earnings per share (20%) 250,000 shares - 14¢

Based on the position which the company is hoping to attain in mid or late 1964 with conventional mortgage receivables of approximately $20,000,000 against Series "B" bonds and using an average spread between borrowing costs and lending rates of 1-1/2% (the company is at present enjoying a spread of better than 2%) the following earnings estimate may be made.

$19,000,000	Series "B" Mortgage Bonds
285,000	Borrowing Costs
$18,715,000	
1,500,000	Equity (including 100,000 fully paid shares)
$20,215,000	Total Loaning Power

Income

Mortgage Fund "A"

Interest (Note 1)		Nil

Mortgage Fund "B"

Interest earned on $20,215,000 @ 8%	$1,617,200	
Sundry Revenue (Note 2)	25,000	
	$1,642,200	

Expenses

Borrowing costs on $19,000,000 @ 6-1/2%	$1,235,000
General Expenses (Note 3)	125,000
	$1,360,000

Net income before taxes	$282,200
NET PROFIT	$145,606

Earnings per share (100,000 fully paid) - 97¢
Earnings per share (250,000 20% paid) - 19¢

Note 1 At present the company will be dealing only in conventional mortgages, however, it does plan to enter the NHA mortgage field at some future date.

Note 2 Sources of sundry revenue -
(a) Commissions on purchase and sale of mortgages.
(b) Servicing mortgages on an agency basis.
(c) Standby fees.
(d) Valuation fees.

Note 3 Expenses are calculated as follows -

Salaries	$ 50,000
Directors' fees	2,000
Rent	5,000
Advertising & General Office	18,000
	$ 75,000
Plus an estimated 25,000 for each 10,000,000 invested	$ 50,000
	$125,000

Note 4 Income taxes are estimated at 23% on first $35,000 and 52% on balance of income.

Based on the foregoing the following table of estimated

future earnings may be arrived at taking into consideration varying interest spreads between bond borrowing and mortgage lending and varying amounts of receivables and debt outstanding up until the time when the amount of $20,215,000 used in the above calculations is reached.

	Earnings per share (calculated on paid up amount) with various amounts of mortgages outstanding			
Borrowing Spread	5,000,000	10,000,000	15,000,000	20,215,000
1-1/2	36¢	57¢	79¢	97¢
1-3/4	40¢	65¢	91¢	1.13
2	44¢	73¢	1.03	1.29
2-1/4	48¢	81¢	1.15	1.46
2-1/2	52¢	89	1.27	1.62

We feel that this security warrants your attention.

COLLIER, NORRIS & QUINLAN LIMITED.

GEOFFRION, ROBERT & GELINAS, INC.

New Issue

60,000 SHARES

GENERAL MORTGAGE SERVICE CORPORATION OF CANADA

(Incorporated by Special Act of the Parliament of Canada in accordance with the Loan Companies Act)

Shares of the par value of $10 each, 20% paid

(subject to call)

CAPITALIZATION

(As at November 1, 1962 upon completion of this financing)

	Authorized	Outstanding
Bonds		
Series A Mortgage Bonds	*	$1,555,000
Series B Mortgage Bonds	*	$ 205,000
Shares par value $10 each	1,000,000 shs.	
Fully paid		160 shs.
20% paid		250,000 shs.

*The Series A Mortgage Bonds and Series B Mortgage Bonds are issuable at various rates of interest and maturities and the amount thereof which may be issued is unlimited subject to the provisions of the Loan Companies Act.

We as principals offer these 60,000 20% paid shares of the par value of $10 each subject to prior sale and change in price and subject to approval of all legal matters on behalf of the Company by Messrs. Whitney, Kominek & White, Waterloo, Ontario, and on our behalf by Messrs. Bourgeois, Doheny, Day & Mackenzie, Montreal, P.Q.

PRICE: $2.90 per share

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close subscription books without notice.

Collier, Norris & Quinlan

Limited

Montreal **Toronto**

November 19, 1962.

The following information is supplied by the chief executive officers of GENERAL MORTGAGE SERVICE CORPORATION OF CANADA (the "Corporation").

The Corporation

The Corporation, whose head office is at 68 Yonge Street, Toronto, Ontario, was incorporated by Special Act of the Parliament of Canada, 9-10 Elizabeth II, Chapter 78, assented to on July 13, 1961 (the "Special Act") and commenced operations May 1, 1962.

The Corporation is a Loan Company licensed under the Loan Companies Act of Canada and the Loan and Trust Corporations Act of Ontario and was incorporated for the purpose of lending money upon the security of first mortgages, charges or hypothecs on real property in Canada. It is also permitted to invest in real or immoveable property.

The Corporation has all the powers, privileges and immunities conferred by and is subject to all the provisions of the Loan Companies Act (R.S.C. 1951, Chapter 170). However, it may not accept money on deposit.

The Corporation is under the direct supervision of the Department of Insurance of Canada and, in 1961, was appointed by Central Mortgage and Housing Corporation (C.M.H.C.) as an approved lender to originate mortgage loans insured by C.M.H.C.

Borrowing

The business carried on by the Corporation requires the borrowing of capital sums from time to time from bankers and others and, for the purposes of such borrowing, the Special Act authorizes the Corporation to operate separate funds known respectively as "Mortgage Fund A" and "Mortgage Fund B".

The proceeds of the sale of Series A Mortgage Bonds are kept, invested and accounted for in Mortgage Fund A and are invested in mortgages or hypothecs guaranteed or insured under the National Housing Act, 1938, the National Housing Act or the National Housing Act, 1954.

The proceeds of the sale of Series B Mortgage Bonds are kept, invested and accounted for in Mortgage Fund B and are invested in first mortgages or hypothecs other than those authorized for inclusion in Mortgage Fund A and in real estate for the production of income.

The Mortgage Funds are stated by the Special Act to be available only for the protection respectively of the holders of the Series Mortgage Bonds appertaining thereto and shall not be liable for the claims of any other creditors of the Corporation.

As at November 1, 1962, the principal amount of mortgages outstanding securing Mortgage Fund A was $1,805,294 and securing Mortgage Fund B was $262,334.

The Corporation has further arranged lines of credit with four chartered banks.

The Loan Companies Act restricts the mortgage investment by the Corporation to first mortgages not in excess of 66⅔% of the value of the property securing the same or, in the case of guaranteed or insured mortgages under the several National Housing Acts, to the amounts permitted by such Acts.

The Corporation is further limited to borrowings not in excess of 12½ times its unimpaired paid in capital and reserve.

As at November 1, 1962, the Corporation's conventional first mortgage loans outstanding represented less than 47% of the appraised value of the mortgaged properties and the Corporation expects no difficulty in maintaining the security ratio at or near this figure. The average loan is for the amount of approximately $11,400. The average term to full amortization is about 9½ years.

Mortgage Operations

The Corporation is an approved lender under the National Housing Act 1954 to originate loans insured by the Central Mortgage and Housing Corporation ("CMHC"). Under this Act an "approved lender" (including the Corporation, banks, trust and insurance companies) may make loans on the security of first mortgages. The interest rate on National Housing Act (NHA) loans is established by the Governor in Council and is reviewed semi-annually in February and August. The rate currently stands at 6½%. All currently placed NHA loans are insured against default to the extent of 100% of the

outstanding balance of the loan. The insurance is issued by Central Mortgage and Housing Corporation in consideration of a fee paid by the borrower at the inception of the loan. The Mortgage Insurance Fund established by C.M.H.C., a Federal Crown Corporation, is tantamount to Government guarantee on NHA loans.

The Corporation has many sources from which its mortgage loans originate, the primary ones at present being large well established builders in the metropolitan area of Toronto and brokers, licensed under the Ontario Mortgage Brokers Act, in the Southern Ontario growth area.

A connection has been established with over 100 law offices in various cities and towns in Ontario. This connection is valuable as a source of mortgage loans. Many lawyers act as solicitor-agents rendering legal services in completing loans.

Since its commencement of business, the Corporation has established mortgage representation for the following centres:

Toronto	Port Colborne	Belleville	Richmond Hill
Hamilton	Orillia	Galt	Tillsonburg
Ottawa	Dundas	Niagara Falls	Stoney Creek
Windsor	Whitby	Barrie	Merritton
London	Preston	Waterloo	Paris
Kitchener	Oakville	Stratford	Milton
Oshawa	Georgetown	Woodstock	Dunneville
Brantford	Fort Erie	St. Thomas	Deep River
Sarnia	Leamington	Owen Sound	Parry Sound
Kingston	Thorold	Welland	Orangeville
Peterborough	Simcoe	Burlington	Ajax
St. Catharines	Renfrew	Brampton	Chatham
Guelph	Newmarket	Pembroke	

As the Corporation's funds available for mortgages increase, its representation in other areas and provinces, will expand on the present pattern in order to secure further mortgages in which to invest its funds.

Due to the economic expansion in Canada, the Corporation is experiencing a demand for money for first mortgages on good realty security by applicants of top grade credit standing, on terms yielding most satisfactory return to the Corporation.

The Corporation also derives its profit from various other sources. At the time of making a conventional mortgage loan, it receives in many cases standby or origination fees. The borrower pays the mortgage broker's fees as well as the full cost of legal services in the making of a loan. The Corporation pays no brokers commission.

On the acquisition of N.H.A. mortgages, the Corporation pays no broker's fee and deals only in blocks of mortgages so that such business is acquired and put on the books at small expense to the Corporation. It accepts conventional loans on a basis that payments are payable monthly at par Toronto and borrowers supply postdated cheques thereby reducing collection and administration overhead.

The Corporation earns bonuses for granting loans and for allowing accelerated pre-payment in part or in whole of the loans it holds. It also purchases mortgages at discounts running up to 15% on the principal amount invested.

The Corporation has authority to manage mortgage loans for others for which service it charges the usual management fee of ½ of 1% of the principal amount of the mortgage.

Financial Statements

There is attached hereto a balance sheet of the Corporation as at September 30, 1962 and statements of General Fund income and reserve fund for the period ended on that date together with the report thereon of the Corporation's auditors.

The officers of the Corporation are not aware of any material change since September 30, 1962 which adversely affects the financial position of the Corporation.

GENERAL MORTGAGE SERVICI

(Incorporated by Special Act of Parli

BALANC

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ASSETS

GENERA

Cash	33,390	
Advances to Mortgage Fund A	202,652	
Advances to Mortgage Fund B	103,373	
Mortgage receivable	3,500	
Office equipment, at cost	7,472	
Other assets	1,004	
Incorporation and organization expenses	22,986	374,377

MORTGAG

Cash	24,580	
Mortgages receivable, issued under the National Housing Act	1,408,760	1,433,340

MORTGAG

Cash	10,233	
Mortgages receivable	204,496	214,729
		$2,022,446

(Signed) J. L. Whitney, Director.

(Signed) J. C. Vanstone, Director.

CORPORATION OF CANADA
ment under the laws of Canada)

SHEET
30, 1962

LIABILITIES

FUND

Capital Stock:			
Authorized:			
1,000,000 common shares, par value $10 per share			
Issued:			
160 shares, fully paid	1,600		
174,307 shares, 20% paid	348,614	350,214	
Reserve fund		14,956	
Accounts payable and accrued expenses		9,207	374,377

FUND A

Advances from General Fund	202,652	
Bank loans, secured by 6% Mortgage Fund A bonds, payable on demand	1,225,000	
Accrued interest	1,747	
A Fund net income for period	3,941	1,433,340

FUND B

Advances from General Fund	103,373	
Bank loans, secured by 6% Mortgage Fund B bonds, payable on demand	100,000	
Unamortized discounts on mortgages	9,010	
B Fund net income for period	2,346	214,729
		$2,022,446

AUDITORS' REPORT

To the Directors,
General Mortgage Service Corporation of Canada:

We have examined the balance sheet of General Mortgage Service Corporation of Canada as at September 30, 1962 and statements of General Fund income and reserve fund for the period ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the corporation, the accompanying balance sheet and related statements of General Fund income and reserve fund are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the corporation as at September 30, 1962 in accordance with generally accepted accounting principles.

Toronto, Canada,
October 24, 1962.

(Signed) Thorne, Mulholland, Howson and McPherson,
Chartered Accountants.

GENERAL MORTGAGE SERVICE CORPORATION OF CANADA

GENERAL FUND

STATEMENT OF INCOME

Period from July 13, 1961, the date of incorporation, to September 30, 1962

INCOME:		
Interest	$ 3,804	
Valuation fees	925	$ 4,729
EXPENSES:		
Salaries	18,419	
Travelling expenses	2,491	
Advertising	3,492	
Office supplies & expenses	4,417	
Rent	1,400	
Taxes, licenses and fees	445	
Commission on loans	878	
Group and unemployment insurance	134	
Insurance	304	
Audit fees	500	
Directors' fees	800	
Exchange and bank charges	109	$33,389
Loss for period transferred to reserve fund		$28,660

RESERVE FUND

Period from July 13, 1961, the date of incorporation, to September 30, 1962

Premium on Capital Stock issued	$43,616
DEDUCT: Operating loss of General Fund for period	28,660
BALANCE AT END OF PERIOD	$14,956

NOTE: The Company was licensed by the Canadian Department of Insurance and the Province of Ontario to carry on the business of a loan company from March 22, 1962.

Statutory Information

1) The full name of the Corporation is General Mortgage Service Corporation of Canada (hereinafter sometimes referred to as the "Corporation"). The Head Office of the Corporation is situated at 68 Yonge Street, Toronto, Ontario.

2) The Corporation was incorporated under Special Act of the Parliament of Canada passed at the Fourth Session of the 24th Parliament and declared in force on July 13, 1961, as 9-10 Elizabeth II, Chap. 78 (the "Special Act").

3) The general nature of the business transacted by the Corporation is the lending of money on the security of first mortgages, charges or hypothecs on real property situate in Canada and, to a limited extent, investing in real property for the production of income. The Corporation is licensed under the Loan Companies Act (Canada) and the Loan and Trust Corporations Act of Ontario and intends to register as a loan company in all provinces of Canada.

4) The names in full, present occupations and home addresses of the directors and officers of the Corporation are as follows:-

Directors

The Honourable Charles Patrick McTague, Q.C.*	Barrister	2 Clarendon Ave., Toronto, Ontario.
John Leo Whitney, Q.C.*	Barrister	204 MacDonald Place, Waterloo, Ontario.
William Manly Bourke*	Notary Public	396 Roslyn Ave., Westmount, Quebec.
William Grant Horsey*	Executive	12 Daleberry Place, Willowdale, Ontario.
Clifford Joseph Whitney	Barrister	187 John Blvd., Waterloo, Ontario.
Jabez Charles Vanstone*	Chartered Accountant	179 Poplar Plains Rd., Toronto 7, Ontario.
Louis Philippe Gélinas	Investment Dealer	3980 Cote des Neiges Rd., Montreal, Quebec.
Frank Manning Covert, Q.C.	Barrister	1959 Parkwood Terrace, Halifax, Nova Scotia.

*Members of the Executive Committee

Officers

The Honourable Charles Patrick McTague, Q.C.	Chairman of the Board	2 Clarendon Ave., Toronto, Ontario.
John Leo Whitney, Q.C.	President	204 MacDonald Place, Waterloo, Ontario.
Jabez Charles Vanstone	Vice-President and Treasurer	179 Poplar Plains Rd., Toronto 7, Ontario.
Leonard Henderson	Secretary	1066 Homeric Drive, Cooksville, Ontario.

5) The auditors of the Corporation are Messrs. Thorne, Mulholland, Howson and McPherson, 111 Richmond Street West, Toronto, Ontario.

6) The Corporation's share register is kept at the Head Office of the Corporation which acts as its own registrar and transfer agent.

7) The authorized share capital of the Corporation consists of 1,000,000 shares with a par value of $10 each, of which 250,160 have been issued and are outstanding. Of the outstanding shares, 160

are fully paid and non-assessable and on the balance of 250,000 shares, $2 per share has been paid and such shares are outstanding on a 20% paid basis.

8) Each share of the capital stock of the Corporation is equal to every other share and all shares participate equally on liquidation or distribution of assets or dividends and each is entitled to one vote at all meetings of shareholders.

9) Sections 8 and 9 of the Special Act state as follows:

"8. (1) The directors of the Corporation may, from time to time, issue Series A Mortgage Bonds in such manner and on such terms and bearing such rate of interest as the directors may by resolution determine.

(2) All moneys received from the sale of Series A Mortgage Bonds shall be kept and invested and accounted for on separate account and in a separate fund, hereinafter referred to as "Mortgage Fund A", and shall be invested in mortgages or hypothecs guaranteed or insured under the National Housing Act, 1938, the National Housing Act, or the National Housing Act, 1954, as the case may be.

(3) Mortgage Fund A shall be available only for the protection of the holders of Series A Mortgage Bonds and shall not be liable for the payment of claims of any other creditors of the Corporation.

(4) If, at any time, the book value of the assets of Mortgage Fund A, after deducting an amount sufficient to make adequate provision for prospective losses, falls below the principal amount of Series A Mortgage Bonds outstanding together with the accrued interest thereon and all other liabilities of such Fund, there shall be transferred to such Fund from the general funds of the Corporation, in the form of cash, or of investments taken at their market value, such amount or amounts as may be necessary to remove the deficiency.

(5) The directors may withdraw from Mortgage Fund A such amounts as may be required from time to time to repay the principal of Series A Mortgage Bonds in accordance with the terms thereof, to pay interest and other expenses relating to such bonds, to pay investment expenses arising from the investment of assets of the Fund, to pay an equitable share, as determined by the directors, of the general expenses of the Corporation and to repay transfers that may have been made from the general funds of the Corporation pursuant to subsection(4).

(6) The directors may, from time to time, set aside within Mortgage Fund A such portion of the earnings of the Fund as they may deem necessary or advisable as a reserve for the protection of the Fund against losses or other contingencies.

(7) The net profits arising from the operation of Mortgage Fund A, after provision for reserves, may, once in each year, to such an extent and in such manner as the directors may determine, be transferred and credited to the general funds of the Corporation.

"9. (1) The directors of the Corporation may, from time to time, issue Series B Mortgage Bonds in such manner and on such terms and bearing such rate of interest as the directors may by resolution determine.

(2) All moneys received from the sale of Series B Mortgage Bonds shall be kept and invested and accounted for on separate account and in a separate fund, hereinafter referred to as "Mortgage Fund B", and shall be invested in mortgages or hypothecs other than mortgages or hypothecs of the kind described in subsection (2) of section 8, or in real estate for the production of income.

(3) The percentage limits specified in the Loan Companies Act in respect of investments in real estate for the production of income apply to the investments of Mortgage Fund B as if that Fund were the total funds of the Corporation.

(4) Mortgage Fund B shall be available only for the protection of the holders of Series B Mortgage Bonds and shall not be liable for the payment of claims of any other creditors of the Corporation.

(5) If, at any time, the book value of the assets of Mortgage Fund B, after deducting an amount sufficient to make adequate provision for prospective losses, falls below the principal amount of Series B Mortgage Bonds outstanding together with the accrued interest thereon and all other liabilities of such Fund, there shall be transferred to such Fund from the general funds of the Corporation, in the form of cash, or of investments taken at their market value, such amount or amounts as may be necessary to remove the deficiency.

(6) The directors may withdraw from Mortgage Fund B such amounts as may be required from time to time to repay the principal of Series B Mortgage Bonds in accordance with the terms thereof, to pay interest and other expenses relating to such bonds, to pay invest-

ment expenses arising from the investment of assets of the Fund, to pay an equitable share, as determined by the directors, of the general expenses of the Corporation and to repay transfers that may have been made from the general funds of the Corporation pursuant to subsection (5).

(7) The directors may, from time to time, set aside within Mortgage Fund B such portion of the earnings of the Fund as they may deem necessary or advisable as a reserve for the protection of the general funds against losses or other contingencies.

(8) The net profits arising from the operation of Mortgage Fund B, after provision for reserves, may, once in each year, to such an extent and in such manner as the directors may determine, be transferred and credited to the general funds of the Corporation."

As at November 1, 1962 the principal amount of Series A Mortgage Bonds outstanding was $1,555,000 and the principal amount of Series B Mortgage Bonds outstanding was $205,000.

The Series A Mortgage Bonds and Series B Mortgage Bonds presently outstanding and such Series A Mortgage Bonds and Series B Mortgage Bonds as may be issued from time to time rank and will rank ahead of the shares offered by this prospectus.

10) There is no substantial indebtedness to be created or assumed which is not shown on the balance sheet of the Corporation as at September 30, 1962 forming part of this prospectus other than such additional Series A Mortgage Bonds and Series B Mortgage Bonds as may be issued from time to time, the amount of which is impossible to determine as the public offering of such Bonds is a continuing one and the number thereof which may be issued is unlimited subject to the provisions of the Loan Companies Act. The security to be given such Bonds is as set forth in paragraph 9 above.

11) No securities of the Corporation are covered by options outstanding or proposed to be given. Reference is however made to the agreements referred to in paragraphs 16 and 19 below.

12) The securities offered by this prospectus are 60,000 20% paid shares of the par value of $10 each of the capital stock of the Corporation. The issue price to the public is as stated on the face of this prospectus and the issue price to the Underwriters is as stated in paragraph 16.

The shares offered by this prospectus are subject to call to the extent of $8.00 each. With respect to calls upon shares of loan companies incorporated under the Loan Companies Act of Canada, Section 29 of the said Act states

"29. (1) Where any shares issued by the company are not fully paid up, the directors may make calls upon the holders thereof, at such times and places and in such amounts as are required or allowed by this Act and the by-laws made thereunder.

(2) The first of such calls shall not in respect of shares subscribed after the organization of the company exceed twenty-five per cent, and no subsequent call in respect of shares subscribed before or after organization shall exceed ten per cent, and not less than thirty days' notice shall be given of any call, and any notice of call may be effectually given by sending the notice by registered letter to the last known address of each shareholder as contained in the books of the company.

(3) There shall be an interval of not less than thirty days between the times at which successive calls are payable.

(4) Interest shall accrue and fall due, at the rate of five per cent per annum, upon the amount of any unpaid call, from the day appointed for payment of such call.

(5) The directors may if they think fit receive from any shareholder willing to advance the same all or any part of the money due upon the shares held by him beyond the sums actually called for; and upon the money so paid in advance or so much thereof as from time to time exceeds the amount of the calls then due upon the shares in respect of which such advance has been made, the company may pay interest at such rate as the shareholder paying such sum in advance and the directors may agree upon."

The number of securities of the Corporation previously offered and taken up and the amount paid up thereon are as stated in paragraphs 7 and 9. No commission or other remuneration was or is to be paid in connection with the issue of such securities except as disclosed in paragraph 19.

13) The net proceeds to the Corporation derived from the securities offered is $165,000.

14) The net proceeds from the sale of the shares offered by this prospectus have been added to the general funds of the Corporation and will be invested in mortgages, hypothecs and other investments in which the Corporation is authorized to invest its funds. No provision is made for the holding in trust of the proceeds of the securities hereby offered.

15) No minimum amount must, in the opinion of the directors, be raised by the issue of the shares presently offered to provide the sums or the balance of any sum required to pay the purchase price of any property, any preliminary expenses of the Corporation or any commissions, or to repay any borrowed moneys or bank loans.

16) The Corporation, under date of November 8, 1962, entered into an agreement with Collier, Norris & Quinlan Limited and Geoffrion, Robert & Gélinas, Inc. (the "Underwriters") whereunder the Underwriters purchased, upon the conditions therein set forth, the 60,000 20% paid shares offered by this prospectus at a price of $2.75 per share payable in cash.

17) The by-laws of the Corporation provide that the remuneration of the directors shall be as from time to time fixed by the board.

18) No remuneration was paid by the Corporation to its directors as such during the last financial year and it is anticipated that $2,400 will be paid to the directors as such during the current financial year. No officers have in the last year and it is anticipated that no officer will receive in the current year remuneration in excess of $10,000.

19) Under the terms of an agreement between the Corporation and Collier, Norris & Quinlan Limited and Geoffrion, Robert & Gélinas, Inc. (the "Agents") dated October 17, 1962 the Corporation undertook to pay to the Agents a commission of 1.50% of the principal amount sold by them of its Series "B" Mortgage Bonds.

No other amounts have been paid within the two years preceding the date hereof or are payable as commissions by the Corporation for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares or obligations in the Corporation.

20) The estimated amount of the preliminary expenses of the Corporation is $23,000.

21 & 22) The Corporation has not purchased or acquired nor proposes to purchase or acquire any property, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the issue of the securities hereby offered. No property has been purchased or acquired by the Corporation or is proposed to be purchased or acquired, the purchase price of which has been paid or is to be paid in whole or in part in securities of the Corporation, or the purchase or acquisition of which has not been completed at the date hereof, except transactions entered into in the ordinary course of operations or on the general credit of the Corporation.

23) No securities have been issued or agreed to be issued by the Corporation within the two years preceding the date hereof as fully or partly paid-up otherwise than in cash.

24) No obligations are offered by this prospectus.

25) Except as disclosed in paragraph 19 no services have been rendered or are to be rendered to the Corporation which are to be or have been paid for wholly or partly out of the proceeds of the securities offered hereby or have been paid for by securities of the Corporation.

26) Except for fees for professional services as may have been paid to the company's counsel named in paragraph 28 below no amount has been paid within the two preceding years or is intended to be paid to any promoter.

27) Except as disclosed in paragraphs 16 and 19 the Corporation has not entered into any material contracts within the two years next preceding the date of this prospectus otherwise than in the ordinary course of business. Copies of the said contracts may be inspected at the Head Office of the Corporation during normal business hours while the securities offered hereby are in the course of primary distribution to the public.

28) The Honourable C. P. McTague, Q.C., J. L. Whitney, Q.C., C. J. Whitney, J. C. Vanstone, W. G. Horsey and W. M. Bourke, directors of the Corporation, must be considered promoters of the Corporation. C. J. Whitney is a partner in the legal firm of Whitney, Kominek & White, counsel for the Corporation. L. P. Gélinas, a director of the Corporation, is president and a principal shareholder of Geoffrion, Robert & Gélinas, one of the Underwriters of the securities offered by this prospectus.

29) The Corporation has been carrying on business since May 1, 1962.

30) The Honourable C. P. McTague, Q.C., J. L. Whitney, Q.C., C. J. Whitney, J. C. Vanstone, W. G. Horsey and W. M. Bourke, all of whom are directors of the Corporation and whose addresses appear in paragraph 4 hereof, and Clifjo Investments Limited, 5 King Street South, Waterloo, Ontario, San Remo Investments Limited, 5 King Street South, Waterloo, Ontario, and Ginkgo Investments Limited, 179 Poplar Plains Road, Toronto 7, Ontario, could by reason of beneficial ownership of securities of the Corporation, if voting together, elect, or cause to be elected a majority of the directors of the Corporation.

31) No shares of the Corporation are, to the knowledge of the signatories hereto, held in escrow.

32) No dividends have heretofore been paid by the Corporation.

33) There are no other material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required under the Quebec Securities Act, and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

(Signed) C. P. McTague

(Signed) J. L. Whitney

(Signed) W. M. Bourke

(Signed) Grant Horsey

(Signed) C. J. Whitney
by his agent J. L. Whitney

(Signed) J. C. Vanstone

(Signed) Louis P. Gélinas

(Signed) F. M. Covert
by his agent J. L. Whitney

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required under the Quebec Securities Act and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

Underwriters

COLLIER, NORRIS & QUINLAN LIMITED

By (Signed) John H. Norris

GEOFFRION, ROBERT & GELINAS, INC.

By (Signed) Louis P. Gélinas

The following are the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Collier, Norris & Quinlan Limited; Herbert B. Norris, John H. Norris, Bruce Whitestone, and Derek W. Taylor: and in Geoffrion, Robert & Gélinas, Inc; Louis P. Gélinas, The Estate of Louis Robert, Eric J. Wright, Louis Geoffrion, André Leman and Elzéar McNeil.

Dated November 19, 1962

For Publication Thursday, June 7th, 1962.

CANADA'S NEWEST INSTITUTION OPENS WITH TWO NEW "FIRSTS"

A new first mortgage loan corporation incorporated by Special Act of the Parliament of Canada last year has now commenced business and is offering two new services which are "firsts" in Canada. The company is General Mortgage Service Corporation of Canada.

This company has special powers in its Act of Incorporation to enable it to fund National Housing Act mortgages and against this security to issue a bond to investors. This will be the first security offered in Canada which is fully secured by mortgages which are insured by Central Mortgage and Housing Corporation.

Also, for the first time in Canada, a first mortgage loan corporation is making available to its borrowers a life insurance mortgage redemption plan and a monthly disability programme written on a group rate basis.

The company is incorporated with all the powers of the Canada Loan Companies Act with one notable exception as set out in its Act namely, the company will not be in the business of accepting money on deposit.

Because the company sought special powers and provisions in its Act of Incorporation, such special powers or privileges had to find favour with both the Members of the House of Commons and the Senate, for such powers to come into being. As it turned out however, all parties supported the special provisions contained in the Bill as it went through the Houses of Parliament.

Most important of the special provisions had to with creating two separate funds. Separate funds are well known in the insurance, trust and mutual fund circles and this company makes use of this device for its mortgage and bond operation. Three subsections of the Act make provision for this separate fund by saying "The directors of the corporation may, from time to time, issue Series "A" Mortgage Bonds in such manner and on such terms and bearing such rate of interest as the directors may by resolution determine."

"All monies received from the sale of Series "A" Mortgage Bonds shall be kept and invested and accounted for on separate account and in a separate fund, hereinafter referred to as Mortgage Fund "A" and shall be invested in mortgages or hypothecs, guaranteed or insured under the National Housing Act 1938, The National Housing Act, or The National Housing Act 1954, as the case may be."

"Mortgage Fund "A" shall be available only for the protection of the holders of Series "A" Mortgage Bonds and shall not be liable for payment of claims of any other creditors of the corporation."

A similar separate fund is set up under Section 9 of the Act of Incorporation which provides for the separate funding of Conventional Mortgages and the issuing of Series "B" Mortgage Bonds against the fund.

The Act also provides that the value of the assets in the fundmust always equal the amount of Series "A" Mortgage Bonds outstanding and that the general funds of the company shall be resorted to to maintain this equation whenever it is necessary. The general funds of the company therefore, are a guarantee fund maintaining at all times the liquidity of the "A" Fund.

It is also interesting to note that the assets in the "A" Fund in a practical sense belong to the holders of Series "A" Bonds and that only bond holders can make a claim against the fund. No other creditors of the corporation may attach any of the assets in Fund "A".

The real security behind the "A" Bond is National Housing Act mortgages which are insured as to principal by Central Mortgage & Housing Corporation which is a Government-owned corporation. In effect there is an indirect insuring of the Bond through the insurance feature attaching to the security namely, the National Housing Act mortgages. It can be said that the security is indeed very sound from the investment point of view.

In addition, the general funds of the corporation further secure the payment of principal and interest as these funds are to be available to keep the

fund at full strength behind the bonds outstanding.

The bonds are to be issued in denominations of 100, 500, 1,000, 5,000 and 25,000 and can be issued in all forms, bearer, registered as to principal only, fully registered and accumulative.

Wholesale Group Insurance Available

The making available, on a group wholesale rate basis to its mortgagors or borrowers, mortgage redemption insurance, is a "first" in Canada on such a scale as contemplated and is an insurance mortgage protection programme which is felt to be unique in Canada.

The rates are most attractive and the brokers, Osler, Hammond & Nanton Limited, who have designed the plan with the corporation's insurers, The Global Insurance Group, estimate that 95% of borrowers will want the life insurance plan with the mortgage. Utilizing group principals the programme provides both group life insurance and a monthly income mortgage protection feature. Both coverages can be applied for with a minimum of inconvenience, and in most cases a completed simple application card will put the insurance in force.

The group life programme is designed to redeem the unpaid balance of the mortgage should the mortgagor die prior to its completion. The monthly income mortgage protection plan is designed to maintain the monthly mortgage and tax payments should the mortgagor become totally disabled.

Both coverages will have a waiver of premium benefit and both coverages will be provided in exactly the amount that is required to meet the mortgage payments.

The programme will cover mortgages up to a maximum of $40,000 and will cover participants to age 70 in the case of group life plan and age 60 in the case of the monthly income mortgage protection plan.

Premium payments will be made in conjunction with the regular mortgage payments and the required servicing will be administered by General Mortgage

Service Corporation.

It is felt that this complete mortgage protection will enable the mortgagor to obtain security for himself and his family on a one-stop basis at minimum cost.

Builders are highly enthused over the prospect of being able to offer such insurance in their own sales package.

It is of interest to note that in 1946 a section was put in the National Housing Act 1944, which allowed Central Mortgage and Housing Corporation to make such arrangement as might be necessary under which a borrower, under the Act, could purchase reducing term insurance to pay off the amount of the loan made to him in the event that his death occurred before the loan was fully paid. It is a fact that Central Mortgage made exploratory attempts to devise such a plan on a group basis. The difficulties of a Crown corporation doing such a thing as this apparently were insurmountable and when the new Act was introduced in 1954, the enabling power section was dropped. It appears there was an attempt to have the insurance follow the ownership of the property like a fire insurance policy. No doubt this, as a practical basis, proved fatal to the idea. The General Mortgage SERVICE Corporation group insurance will attach strictly to the person (not the mortgage on the property) and the borrower must complete a good health statement to be eligible to enter the group. Mr. J. L. Whitney, Q.C., President of General Mortgage, and a life insurance counsel for a leading life insurance company for over 20 years, persisted until all mechanical difficulties were solved, to bring General Mortgage's group insurance into existence. It is without doubt easier for a private enterprise corporation to solve problems in this field than it is for a Crown corporation, and this has been a factor.

Capitalization

General Mortgage has a capitalization of $10 Million, with the right to increase this to $15 Million. This capitalization compares with the capitalization of Canada's largest loan corporations and is said to reflect the thinking

of the company that the rapid growth of this corporation will in due time prove the need for the authorized capitalization.

Commitments made by the corporation on mortgage business already blocked out for 1962 is substantial and purchase of large-scale portfolios from other investors or from Central Mortgage and Housing Corporation would require paid-in capital to be increased 2 or 3 times above the ordinary anticipated figure.

It is necessary for loan corporations to have at least one dollar in paid-in capital and reserves for every \$12½ borrowed and lent out on mortgages.

Large scale sub-division operation and development, as well as the amazing growth of other real estate development in Canada makes possible today an unprecedented rate of growth of a mortgage loan corporation.

Company and its objectives

The Head Office of the Company is in the heart of the banking centre in Toronto. The Board, headed by its Chairman, the Hon. C. P. McTague, Q.C., a nationally known figure, includes seven others at present, drawn from the legal, investment, mortgage and accounting fields. They are men from various provinces, as the company is developing a national character.

Chief executive of the corporation is J. L. Whitney, Q.C., a lawyer with 25 years experience in the legal and mortgage field. He is a former mayor of Waterloo, Ontario, where he has practiced law since graduating from Osgoode Hall. He is the foremost author in Canada on the subject of the secondary mortgage market. The company is developing strong agency representation throughout Ontario and its representatives will select mortgages and promote the sale of the Company's bonds.

Expansion will take place into the Province of Quebec this year, and next year move into other provinces.

The company holds a license under The Canada Loan Companies Act, which is issued by the Department of Insurance, Ottawa, and also a license in Ontario issued by the Department of Insurance of Ontario. Loan companies under the Canada

Loan Companies Act are inspected and come under the purview of the Department of Insurance, Ottawa, in the same way that Life Insurance Companies register at Ottawa.

The company's operation will be a specialized operation in mortgage transactions.

As a prime lending institution, it will lend on mortgages in the same way that insurance companies, trust companies and other loan companies do at present.

As a secondary mortgage operation, it will specialize in the purchase of mortgage portfolios from those wishing to dispose of mortgage investments. It will also deal in and initiate blocks of mortgages which it will take up for both its funds, Fund "A" for N.H.A. mortgages and Fund "B" for conventional mortgages.

The Company is an approved lender under Central Mortgage and Housing Corporation regulations and may service N.H.A. mortgages on its own account or may lend out funds for others, who wish to keep ownership of the mortgages, and will service the mortgages for them at a competitive servicing fee.

It will centralize its collection operation in the City of Toronto, using the latest methods in mortgage accounting and mortgage recording techniques.

<u>Company's Act Reflects present Canadian Thinking</u>.

Two provisions in the Act of Incorporation of this Company point up the desire of its founders to keep this financial institution owned and operated by Canadians.

75% of the Directors of the corporation shall at all times be Canadian citizens ordinarily resident in Canada, the Act provides. This is a greater percentage than The Canada Loan Companies Act at present calls for.

The Act also states that at least 60% of any offering of stock by the company shall be reserved for a period of 15 days from the time of such offering

of stock by the company shall be reserved for a period of 15 days from the time of such offering for purchase by corporate or natural persons ordinarily resident in Canada.

It is expected that examples such as this will receive the commendation the Porter Commission on Finance if Canada is to make an effort to protect its financial institutions from take-over by foreign interests.

New Money for National Housing

The distribution of the corporation's Series "A" Bond throughout Canada will provide new money to be poured back into National Housing Act mortgages. The bond is expected to compete, in the interests of housing, for the dollars of that investor hithertofore investing in bond investments of other types.

This, of course, will be an assist to Central Mortgage and Housing Corporation as the latter has had to dip into the public treasury annually to find sufficient moneys to meet the demand in Canada for National Housing Act mortgage homes, and of recent years had been making direct loans to so assist.